

FORTY-SIXTH REPORT

**STANDING COMMITTEE ON
PETROLEUM & CHEMICALS
(2003)**

(THIRTEENTH LOK SABHA)

**MARKETING PLANS OF
PUBLIC SECTOR OIL COMPANIES AND
THEIR IMPLEMENTATION**

MINISTRY OF PETROLEUM & NATURAL GAS

Presented to Lok Sabha on 22.08.2003

Laid in Rajya Sabha on 22.08.2003



**LOK SABHA SECRETARIAT
NEW DELHI**

August, 2003/Sravana, 1925 (Saka)

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**COMPOSITION OF THE
STANDING COMMITTEE ON PETROLEUM AND CHEMICALS (2003)**

SHRI MULAYAM SINGH YADAV - Chairman

MEMBERS

LOK SABHA

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| ** 25 | Dr. Ramesh Chand Tomar |
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| 29 | Dr. Girija Vyas |
| 30 | Shri Dinesh Chandra Yadav |

* *Nominated w.e.f. 21st February, 2003.*

** *Nominated w.e.f. 26th February, 2003.*

(iv)

RAJYA SABHA

- | | |
|----|---------------------------------|
| 31 | Shri Balkavi Bairagi |
| 32 | Shri Ram Nath Kovind |
| 33 | Shri Anil Kumar |
| 34 | Shri Rajiv Ranjan Singh 'Lalan' |
| 35 | Shri Moolchand Meena |
| 36 | Shri Dipankar Mukherjee |
| 37 | Shri Pritish Nandy |
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| 44 | Shri Thanga Tamilselvan |
| 45 | Prof. Ram Gopal Yadav |

SECRETARIAT

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| 1. | Shri P.D.T. Achary | - | <i>Additional Secretary</i> |
| 2. | Shri P.K. Grover | - | <i>Director</i> |
| 3. | Shri J.N. Oberoi | - | <i>Officer on Special Duty</i> |
| 4. | Smt. Madhu Bhutani | - | <i>Senior Executive Assistant</i> |

SUB-COMMITTEE ON PETROLEUM
A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM &
CHEMICALS
(2003)

Shri Mulayam Singh Yadav - Chairman

2. Shri Dipanker Mukherjee - Convenor

3. Shri Ashok Argal

4. Dr. (Smt.) Suguna Kumari Chellamella

5. Smt. Sheela Gautam

6. Sh. Paban Singh Ghatowar

7. Sh. Bijoy Handique

8. Sh. Anil Kumar

9. Sh. Rajiv Ranjan Singh 'Lalan'

10. Sh. Ahmed Patel

11. Sh. Ram Sajivan

12. Sh. Shyama Charan Shukla

13. Sh. Prabhunath Singh

14. Sh. Shankersinh Vaghela

15. Sh. Ratilal Kalidas Varma

16. Prof. Ram Gopal Yadav

SECRETARIAT

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| 3. | Shri J.N. Oberoi | - | <i>Officer on Special Duty</i> |
| 4. | Smt. Madhu Bhuntai | - | <i>Senior Executive Assistant</i> |

INTRODUCTION

I, the Chairman, Standing Committee on Petroleum and Chemicals (2003) having been authorised by the Committee to submit the Report on their behalf present this Forty-Sixth Report on 'Marketing Plans of Public Sector Oil Companies and their Implementation'.

2. This subject was selected for examination by the Standing Committee on Petroleum & Chemicals (2003) . The Committee decided to refer this subject to the Sub-Committee on Petroleum for detailed examination. This Sub-Committee considered the replies furnished by the Ministry of Petroleum and Natural Gas on the subject. The Sub-Committee took evidence of the representatives of the Ministry of Petroleum & Natural Gas and Public Sector Oil Companies viz. Indian Oil Corporation Ltd. (IOCL), Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) and IBP Company Limited on 29th April, 2003 and 19th May, 2003 respectively.

3. The Committee wish to express their thanks to representatives of the Ministry of Petroleum & Natural Gas and the representatives of Public Sector Oil Companies for placing their views before them and for furnishing the information desired in connection with examination of the subject.

4. The Sub-Committee on Petroleum considered and adopted this Report at their sitting held on 18th August, 2003.

5. The Standing Committee on Petroleum and Chemicals (2003) also considered and adopted this Report at their sitting held on 19th August, 2003. The Committee place on record their appreciation of the work done by the Sub-Committee on Petroleum.

6. The Committee also place on record their sense of deep appreciation for the invaluable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

NEW DELHI
August 19, 2003
Sravana 28, 1925 (Saka)

MULAYAM SINGH YADAV
Chairman
Standing Committee on
Petroleum & Chemicals.

PART-I
REPORT
CHAPTER-I

INTRODUCTION

The concept of Marketing Plan was introduced in the year 1980.

The objective of its introduction was broadly the following:-

- (i) Identification of locations for new dealerships/distributorships in such a way that the demand of petroleum products across the country, including remote and far-flung areas, was met while ensuring that there was no duplication of infrastructure and that the viability of the existing dealerships/distributorships was not affected.
- (ii) Providing reservation to various categories to fulfil social objectives.
- (iii) Sharing out of RO/SKO dealerships and LPG distributorships among the oil companies.
- (iv) To develop RO/SKO dealerships and LPG distributorships in a planned manner in different classes of market.

1.2 Before the introduction of this concept, each oil company used to set up the dealerships based on feasibility and economic viability. In the year 1977 25% reservation of dealerships/distributorships for Scheduled Castes/Scheduled Tribes was introduced and for the remaining 75%, preference was desired to be given to genuine and efficient Consumer Cooperative Societies and Agro-Industrial Corporations. In 1978, the Government advised that 2% of all dealerships be earmarked for handicapped persons.

ROLE OF THE MINISTRY IN PREPARATION OF MARKETING PLANS

1.3 The Ministry's role in preparation and implementation of the marketing plans has been to ensure planned growth, availability of petroleum products all across the country, fair distribution of market share between oil companies and a share in dealerships/distributorships for different categories. Government prescribed the percentage of reservation for social categories and preparation of 100 Point roster for identifying locations for different categories including Scheduled Castes/Scheduled Tribes, and also women in different categories.

1.4 The detailed marketing plans, formulated by the OMCs, used to be examined by the Government on the above parameters and approval accorded. Once the marketing plan was approved by the Government, further action for setting up of dealerships/distributorships at the locations included in the Marketing Plans was to be taken by the OMCs. No specific review of the guidelines for marketing plans, except for some changes in the reservation, has been made by the Government.

1.5 The Committee observed that one of the basic parameters of marketing plan was volume-distance norm which was developed in 1980 and was an important and pivotal parameter in preparing marketing plan. The Committee further queried whether this particular norm has since been reviewed. The Ministry of Petroleum and Natural Gas responded to this observation in a written note as under:-

“The basic parameters adopted to prepare retail outlet marketing plans were as specified in the Volume-Distance norms applicable to locations in various classes of market. These parameters were uniform and not location-specific. the Volume-Distance norms framed in 1980 have not been revised. However, the OMCs have been advised to select locations on commercial considerations.

In case of marketing plans for LPG distributorships, feasibility study of locations was carried out in order to assess viability of running such distributorships at these locations. The viability was assessed on the basis of population, number of households and the type of the market. The number of families who would seek LPG connection as domestic fuel would depend on the per capita income of the population, commercial, industrial and developmental activities that might be taking place around the location and the per capita consumption of LPG in surrounding markets. These factors made the feasibility study for LPG distributorship location-specific.

After dismantling of the APM in the petroleum sector from 1.4.2002, the oil companies are not required to obtain approval of the Government to the marketing plans and they are now free to set up new outlets based on commercial viability.”

1.6 The Committee desired to know as to what was the system adopted to ensure objectivity of the marketing plans and whether this system was tested and reviewed periodically. The Ministry apprised the Committee as under:-

“The main objectives of the marketing plans were identification of suitable and viable locations for setting up of dealerships/distributorships throughout the country for meeting the demands of the consumers, provision of reservation in favour of various social objective categories and sharing out of dealerships/distributorships among the oil companies in line with the stipulated percentages. The system adopted to ensure objectivity was as follows:

- (i) Locations were identified after regular market survey and feasibility study based on volume distance norms.
- (ii) The 100-point roster was maintained to ensure reservation for various categories.

The system had been functioning smoothly and there was no change in the marketing plan system. However, percentage of reservation for various categories was revised from time to time.”

1.7 The Committee sought to know whether the marketing plans were guiding in nature or mandatory for implementation. The Ministry provided the following information:-

“The marketing plans, as approved by the Government, were mandatory in nature. Any changes in the plan that were considered essential were carried out with the approval of the Government. The scope of these plans was to specify the identified locations in various States, their class of market and reservation categories.”

CHAPTER-II

GUIDELINES

After nationalization of the oil companies in 1977 Government of India framed a policy for reserving 25% of dealerships/distributorships for SC/ST and remaining 75% on commercial consideration. It also advised to give preference to consumer cooperatives and agro-industry corporations. In 1978, Government decided to reserve 2% of allocation for handicapped persons. Reservation policy was again modified in 1980. Pursuant to this policy, the concept of industry roster was introduced in 1980 to maintain category-wise control as per 100 point roster. The concept of marketing plan was introduced by the Ministry on 5.6.1980 which gave the guidelines on reservation, pre-determination of location, press advertisement and selection. The guidelines were subsequently revised from time to time with slight amendment in January, 2001.

2.2 The Committee wanted to know whether Government proposed to bind the private companies to follow Government rules regarding reservations in allotment of Retail Outlets and LPG Distributorships. The Ministry replied to this as under:-

“Government rules on reservation do not apply to private companies in allotment of dealerships/distributorships. The oil companies in the public sector will choose their dealers and distributors in accordance with the guidelines which are in the process of being finalized.”

2.3 The Committee specifically wanted to know whether Government intend to continue with reservation policy in PSUs in Post APM era and also formulate policy guidelines to bind the private companies to follow the same. Secretary, Ministry of Petroleum and Natural Gas explained the position as under:-

“Oil companies have their perception of level playing field which they have included in their guidelines and which they have got approved from their respective Boards and submitted to the Government. Government is

thinking over it to decide as to what final decision is to be taken. On the one hand, the competitive commercial consideration has to be kept in mind and on the other side it is to be seen whether principles of reservation are to be withdrawn or curtailed and if so to what extent. It is yet to be decided and that is the reason that delay has occurred.”

2.4 He reiterated this position when he submitted before the Committee that although oil companies wanted scrapping of reservation system yet Government was yet to have final view in the matter.

2.5 The Committee observed that as per the existing guidelines 50% of ROs and LPG distributorships etc. were reserved for different categories of society. The Committee wanted to know as to how this reservation system was implemented and how the industry roster was prepared for maintaining category-wise control. The Ministry replied to this as under:-

“The 100 Point roster has been prepared with a view to ensuring implementation of the reservations provided for various categories while formulating the marketing plans. Since the marketing plans are prepared on industry basis, the criteria for identifying such locations are uniform and consistent for all the oil marketing companies. The category in respect of each location is allotted as per the roster maintained by the industry coordinator for such State. The State-wise split of 25% reservation between SC and ST was decided as per a separate roster, which is based on the 1991 census.”

2.6 The Committee observed that Government issued guidelines in October, 2000 and set up about 60 Dealer Selection Boards to select retailers and distributorships of petroleum products. Government later in May, 2002 decided to dismantle these DSBs. During this period of about one and a half year, DSBs could select about 4000 dealers. However, in comparison to this Government have allowed some companies mainly private companies to set up nearly ten thousand dealers in the country. The Committee in this context further observed that in February, 1990, number of OSBs were raised from 4 to 16 and 14 in 1997 but in October, 2000 this number (DSBs) was raised to 60. The Committee had two queries in this regard. First related to the rationale in abnormal increase in the

number of DSBs/OSBs and second was as to how the number of private players was decided by the Government. The Ministry furnished reply in response to first query as under:-

“The number of Selection Boards was decided by the Government from time to time keeping in view the pending work load for allotment of dealerships/distributorships.”

2.7 Regarding the second query, the Ministry provided the following information:-

“As per Government Resolution dated 8th March, 2002, the company seeking authorization has to give an application giving details of scheme of marketing. There shall be no limit on the quantum and size of the scheme and the number and locations of ROs provided that no encroachment on the existing Retail Outlets will be allowed. The marketing scheme shall by way of information contain details, *inter alia* of the number and locations of ROs proposed to be established. Further, the applicant shall inform the Government/Regulatory Board of major changes in his scheme of marketing, if any.

Thus, it would be seen that the Government has not imposed any ceiling on the Retail Outlets to be set up by private players who have been granted marketing rights for transportation fuels. These players are free to set up the Retail Outlets as per their commercial considerations. However, they are bound to set up a minimum share of Retail Outlets in remote and low service areas as prescribed in Government Resolution dated 8th March, 2002. The Government have granted the marketing rights for the transportation fuels to the private players indicating the aforesaid condition.”

CHAPTER-III

IMPLEMENTATION OF MARKETING PLANS

The concept of Marketing Plan was introduced in the year 1980. Before the introduction of this concept, each oil company used to set up the dealership based on feasibility and economic viability. Now with the dismantling of APM, the concept of Marketing Plan has been withdrawn and oil companies have been given freedom to choose their retailers and distributors. However, Government have advised the oil companies to wait for approved guidelines from them for choosing their retailers. The Committee wanted to know as to what type of organizational structure was put in place from grass root level to apex level to develop market plans. The Ministry provided the following information:-

“Regular survey was conducted by the District Coordinators (Sales Officers) of the oil companies (to identify feasible locations for setting up of dealerships/distributorships) to cater to the demand of various markets. Feasibility studies were also conducted for locations referred by the VIPs, etc.

Such feasibility reports were forwarded to the State Level Coordinators (nominated oil company officers), who reviewed the locations in consultation with other oil industry members and then finalize the locations and send the recommendation, pertaining to that State, to the Industry Coordinators for preparation of marketing plans. The Industry Coordinators would convene industry meetings at the Head Office level and finalise the draft Marketing Plan, for submission to the Government.

The procedure mentioned above was consistently followed by the oil industry.”

3.2 The Committee sought to know whether allotments were made strictly in accordance with the approved marketing plans or there were deviations also. The Ministry was categorical in replying as under:-

“The allotments of retail outlets/dealerships were made strictly in accordance with the approved marketing plans.”

3.3 The Committee desired to know as to how many locations were identified for allotment in the first marketing plan and thereafter each year till 2002. The Ministry furnished the following information:-

“The number of locations identified for allotment of retail outlet dealerships and LPG distributorships in the first marketing plan and in the subsequent plans are indicated in **Annexure I and II**.

Allotments of locations, included in the marketing plans, depended on various factors like selection of dealers/distributors by various selection boards, various approvals after selection of dealers/distributors, procurement of land, court cases, etc. Therefore, it was not possible to make allotments of all the locations included in a particular marketing plan in the same year. The number of locations pending selection as on 9.5.2002, the date on which all the Dealer Selection Boards in the country were dissolved by the Government, are indicated in Annexure I and II.”

3.4 The Committee had anxiety to know the manner and the basis on which the locations were distributed amongst the public sector oil companies. The Ministry replied to this as under:-

“The number of locations for setting up of dealerships/distributorships were distributed among the oil marketing companies on the basis of the percentage share-out prescribed from time to time. The share-out at the time of dismantling of Administered Pricing Mechanism was as follows:

| Oil Company | Share-out percentage | |
|-------------|----------------------|------|
| | RO | LPG |
| IOC (MD) | 56.89% | 48* |
| BPC | 18.70% | 24 |
| HPC | 19.10% | 24 |
| IBP | 03.68% | 04 |
| AOD | 1.63% | |
| TOTAL | 100% | 100% |

*** Includes AOD**

The allotment of locations among oil companies was decided by draw of lots.”

3.5 The Committee analysed the statistics provided by the Ministry and observed that as against 8314 ROs planned till 2001-02, 1392 were still pending for selection as on 9.5.2002 i.e. when DSBs were dismantled. Similarly for LPG distributorships as against 7441 locations planned 1790 were pending for allotment on the above date. The Committee further analysed company-wise statistics regarding ROs for the period from 1999-2002 and worked out the following data:-

| Company | Planned | Pending for selection as on 9.5.2002 | Percentage |
|----------------|----------------|---|-------------------|
| Oil Industry | 764* | 510 | 66% |
| IOCL | 380 | 244 | 65% |
| HPCL | 184 | 153 | 83% |
| BPCL | 143 | 98 | 68% |
| IBP | 48 | 15 | 30% |

** Includes 9 of Assam Oil Division*

3.6 The Committee thus observed that IBP which was given less than 4% of share was leading the other bigger companies in case of expeditious allotment.

3.7 The committee learnt that when DSBs were abolished in May, 2002, Public Sector Oil Companies had number of locations pending for allotment. The Committee sought the details from each oil company which has been compiled below:-

| Company | ROs | LPG | Total |
|----------------|------------|------------|--------------|
| IOCL | 738 | 879 | 1617 |
| HPCL | - | - | 382 |
| BPCL | 299 | 500 | 799 |
| IBP | 63 | 42 | 105 |

3.8 The Committee learnt that oil companies make allotments for locations outside the marketing plans. The Committee sought the detailed information about it and was provided the same as under:-

“Other than the locations coming under the following categories, all locations were to be included in the marketing plans:

- (i) Special scheme for allotment of dealerships/distributorships to the widows/next of kin of defence personnel killed in action in ‘Operation Vijay’ (Kargil).
- (ii) Allotments under discretionary quota of the Government.
- (iii) Jubilee Retail Outlets scheme.
- (iv) Locations against terminated dealerships/distributorships.
- (v) Project distributorships (in case of LPG distributorships).”

3.9 During course of examination of this subject, the Committee came across another terminology used by the oil companies for making allotments outside the marketing plan. This terminology was named as Market Driven Price Mechanism. IBP explained the concept of this scheme as under:-

“The Government of India vide its Resolution No. 224 dated 21.11.97 decided phased dismantling of Administered Pricing Mechanism (APM). In the aforesaid Resolution, it was envisaged that investments in the refining sector will be encouraged by providing reasonable tariff protection and making marketing rights for transportation fuels viz. MS, HSD and ATF conditional on owning and operating refineries with an investment of at least Rs. 2000 crore or oil exploration and production companies producing at least three million tonnes of crude oil annually.

The term Market Driven Price Mechanism (MDPM) represents linkage of transportation fuel prices with international price after dismantling of Administered Pricing Mechanism (APM). The concept of MDPM was to be implemented after 1.4.2002 as per the Gazette Notification dated 8.3.2002.

As per the Gazette Notification dated 8.3.2002, the Company seeking authorisation to market transportation fuel was required to make an application giving details of the scheme of marketing for which authorisation

is being sought. After dismantling of APM w.e.f. 1.4.2002, Oil Companies were provided commercial freedom for their marketing activities and to formulate their own policies to be approved by individual company's competent authorities for setting up of Retail Outlet under Post APM scenario."

3.10 The Committee noted that Government vide their Resolution dated 8th March, 2003 have authorised oil companies to set up Retail Outlets and LPG Distributorships. The Committee wanted to know whether this authorisation covered the marketing plans already approved or was outside the approved marketing plan. The Ministry responded to this query as under:-

"After dismantling of the Administered Pricing Mechanism (APM) in the petroleum sector with effect from 1.4.2002, the Government vide their letter dated 27.11.2002 have advised that with the dismantling of the APM and commercial freedom provided to the oil companies, no approval is required to be given by the Government for the marketing plan. A copy each of this letter and the Resolution dated 8.3.2002, is enclosed (**Annexure III and IV**). In addition, the Government has also authorized the oil companies to review marketing plan locations on grounds of commercial viability vide its letter dated 22.1.2003 (**Annexure V**)."

3.11 This issue came up for discussion during evidence when the Committee observed that since dismantling of DSBs in May, 2002, Public Sector Oil Companies are not making allotments. Only Indian Oil Corporation Limited and IBP have made some allotments which the Government have stopped later. The Committee wanted to know the rationale of these allotments. The Secretary, Ministry of Petroleum and Natural Gas submitted before the Committee:-

"IBP and IOC have given retail outlets, but they said that these retail outlets are outside the marketing plan which had been approved earlier based on their own commercial judgments in order to meet the competition. The IOC authorities have said that they did it in accordance with the decision of their Board. In the case of IBP, they met the directives and gone ahead to meet the competition. Otherwise, they said they would lag behind."

3.12 IBP further explained its position in this regard as under:-

“IBP was governed by the company’s approved site selection and dealer selection policies. A copy of each of these policies have been submitted to Ministry of Petroleum and Natural Gas vide letters bearing ref. MDPM dated 6th February, 2003 and dated 7th February, 2003 respectively. It will be seen that the policy provides for adequate safeguards in arriving at a fair purchase price or lease rentals.”

3.13 The Committee expressed their apprehension that private oil companies with their aggressive marketing policies would march over the PS Oil Companies. The Committee wanted the Government to lift ban on the Public Sector Oil Companies and provide them level playing field to them to enable them to compete with private companies effectively. CMD, IOCL during his evidence apprised the Committee that his company was facing difficulties in the absence of fresh guidelines supposed to be issued by the Government. He said:-

“We have some difficulties in getting the sites because in many cases the landowners want to become the dealers and we cannot give any assurance to those landowners that they will become dealers because our policy has to be approved. So control of sites has not been very satisfactory but as soon as the decision (by the Government) is taken, we will be in position to commission retail outlets outside the marketing plan.”

3.14 The Committee wanted to know from Secretary the reasons for delay in finalising the guidelines for allotment. During his evidence he explained the position as under:-

“The question involved is so weighty considering the question of reservation involved, the change in guidelines. The question is that in case these are the questions you have to take a view, then the Ministry would like to keep full consideration to this question, the full consideration to the question of their commercial requirement. Unless and until it is absolutely necessary and they just cannot do without it, then the Government will have to take a decision. That is why it has taken some time for the Ministry.... Government’s intention is to provide level playing field to Public Sector Oil Companies. Despite best efforts, we cannot give level playing field to them.”

3.15 The Committee observed that in terms of Government’s Resolution of 8th March, 2002, it has been decided to set up nearly ten thousand allotments and

desired to know whether in view of decline in growth rate of sale of HSD, it would be economically advisable to expand marketing network of Public Sector Oil Companies. The Ministry responded as under:-

“While setting up the ROs and deciding the scale of investments, it is ensured that the proposal is economically viable.”

3.16 The Committee sought statistics regarding percentage wise growth in sale of diesel, petrol and LPG during each of the last three years and percentage wise growth in extension of ROs/LPGs during the same period. The Ministry furnished the statistics as under:-

“The percentage-wise growth of Petrol/Diesel/LPG of the Industry during the last three years is given in the table below:-

| Product | 2000-2001 | 2001-2002 | 2002-2003 |
|----------------|------------------|------------------|------------------|
| MS | 12.6% | 6.2% | 9.2% |
| HSD | -1.1% | -3.3% | 2.2% |
| LPG | 12.9% | 11.6% | 10.4% |

The expansion of marketing network of the Industry during last three years is as under:-

| Product | 2000-01 | | 2001-02 | | 2002-03 | |
|----------------|----------------|----------|----------------|----------|----------------|----------|
| | Nos. | % | Nos. | % | Nos. | % |
| Retail Outlets | 521 | 2.9 | 695 | 3.8 | 1066 | 5.6 |
| LPG | 308 | 5.0 | 1071 | 15.7 | 424 | 5.7 |

3.17 The Committee specifically referred to setting up of Jubilee Retail Outlets and other ROs of similar types namely one stop truck shops of BPCL and sought to know the rationale of setting these up outside the marketing plans. The Ministry replied to this observation as under:-

“The Jubilee Retail Outlets (JROs) were not part of the approved marketing plans. The scheme of JROs was introduced in the Golden Jubilee Year of Independence, with a view to providing world-class facilities and services to highway users. These outlets were on large plots of land with various facilities and wayside amenities and these outlets were to be operated by the companies themselves on COCO basis.

On reconsideration, the scheme for setting up of further JROs was discontinued by the Government in November, 2000 as the whole project was very capital-intensive. It was thought prudent to invest the same amount on an increased number of Retail Outlets instead of investing heavily in a few JROs. Moreover, it was felt that since the celebrations of the Golden Jubilee of Independence were over, the scheme could also be discontinued. The oil companies would devise their own strategy to provide value added services at their ROs.”

3.18 The Committee further noted that average company-wise expenditure on these types of ROs was as under:-

| | | |
|------|---|---|
| IOCL | - | Rs. 2.20 crore |
| BPCL | - | Rs. 1.42 crore on JRO Rs. 1.15 crore on one stop truck shops |
| HPCL | - | Rs. 0.70 lakhs |
| IBP | - | Rs. 0.33* |

** The Committee were later informed that after adding expenditure on other associated facilities expenditure has gone upto Rs. 85.47 lakhs.*

PART-II

OBSERVATIONS/RECOMMENATIONS OF THE COMMITTEE

The concept of Marketing Plans of Public Sector Oil Companies had some laudable objectives such as ensuring availability of petroleum products in remote and far-flung areas, avoiding duplication of infrastructure, providing reservation to various categories to fulfil social objectives and sharing out marketing network amongst the oil companies. After dismantling of the Administered Pricing Mechanism (APM) w.e.f. 1.4.2002, the Government have now decided that approval of any marketing plan was not required from them. The Committee, in principle appreciate this decision. They would, however, like to stress the need to continue with the objectives of the Marketing Plan. The Committee, therefore, desire that these objectives should at the core of the Government's policy for allotment of retail outlets and LPG Distributorships and Government should keep these objectives in view and make them applicable to all companies engaged in marketing of petroleum products.

2. One of the objectives of the Marketing Plan was to ensure planned growth in the petroleum sector especially in distribution network. In the aftermath of dismantling of APM, the Government cannot abdicate their responsibility in fulfillment of this objective. The Committee are aware that private companies through their aggressive marketing strategies are generally interested in working in grey areas only and have little concern for planned growth. The Committee desire that Government should prepare 'Market Vision' for the next two decades which should include basic parameters of planned growth. The oil companies both public and private should be bound to operate within the ambit of this Vision.

3. The Committee have noted that some of the basic parameters of Marketing Plan were Volume Distance Norms, economic viability of LPG Distributorships based on thickness of population, commercial, industrial and developmental activities. After dismantling of the APM, oil companies are now free to set up new outlets based on commercial viability. The Committee are of the opinion that the above mentioned parameters are still very much relevant and should not be ignored in the name of commercial viability. The Committee apprehend that private oil companies might encroach on the trade areas of Public Sector Oil Companies and disturb the balance of planned growth already achieved. The Committee, therefore, desire that Government should continue to have some sort of control on oil companies both in Public and Private Sector to ensure that balanced growth already achieved is not disturbed. The Government can do this by formulating a set of guidelines incorporating them in Market Vision already recommended.

4. The Committee note that after dismantling of Dealer Selection Boards (DSBs) the Government had authorised public sector oil companies to implement their Marketing Plan for which permission of Government was not required. During this period IOCL and IBP made some allotments in accordance with the decisions taken by their Boards after following the established procedure. The Committee note that whereas these companies exercised their autonomy and acted expeditiously but the other public sector oil companies did not act swiftly. Later the Government restrained all companies from making further allotments. The Committee are of the opinion that the Government instead of restraining them should have provided guidelines to be followed in case of future allotments. Government's action has put on hold the question of autonomy of oil companies in Post-APM era and oil companies' expansion programme has been stalled. On the one hand the Government claim to have granted autonomy to oil companies in choosing their retailers and dealers and on the other hand Government have impeded their growth. The Committee feel

that Government lack clarity on the vital issue of autonomy. They desire that the Government should define the concept of 'Autonomy' unambiguously and should not restrain the oil companies when they act as per established procedure. Secretary, Ministry of Petroleum and Natural Gas had assured the Committee in May, 2003 that the Government were engaged in deciding this issue and would come out with the final decision expeditiously. The Committee have now learnt from the media reports that the Government have finalised the Guidelines. The Committee may like to examine these guidelines later but at this time hope that these are objective and transparent.

5. In the Post APM era, the private oil marketing companies are expected to play a significant and major role. They have already initiated activities to set up their marketing network and with their aggressive marketing strategies are expected to compete vigorously with public sector oil companies. Public Sector Oil Companies have been requesting the Government to provide them level playing field to enable them to compete with private sector effectively. While private companies operate purely on economic considerations, the PSUs are bound to fulfil certain social objectives also mainly provision of reservation to various categories of society. The Committee strongly recommend that Government should statutorily bind all the oil marketing companies to follow these guidelines uniformly. The Government should ensure that private and public sector oil companies operate in the country under one set of rules/guidelines.

6. The Committee have noted that as against 8314 planned locations for ROs, 1392 were pending on 9.5.2002 when DSBs were dismantled. Similarly, 1790 LPG Distributorships were pending against 7441 planned. The Committee have further noted that IOCL together with its Assam Oil Division and IBP as subsidiary company was given more than 60% ROs locations for allotment. IBP independently was given only 3.68% share. An analysis of performance for the period 1999-2000 to 2001-2002 reveals that 83%

locations of HPCL, 68% of BPCL, 65% of IOCL and 30% of IBP were pending for allotment on 9.5.2002. In the opinion of the Committee this performance is unsatisfactory. Government have taken a decision to disinvest HPCL and BPCL and with IOCL shall remain as the only Public Sector Oil Marketing Company with IBP as its subsidiary. The Committee find that that performance of IBP in expeditious allotment of ROs has been satisfactory and desire that its marketing network should be further strengthened. They desire that Government should promote and strengthen this company so as to enable it to compete with private companies.

7. The Committee have noted that the Government have permitted oil companies to set up ROs outside Marketing Plans and in this category Jubilee Retail Outlets (JROs) were set up. Even after discontinuation of this scheme BPCL has set up One Stop Truck Shops (OSTS). While dismantling JRO scheme, the Government had advised that it would be prudent to invest the huge amount on an increased number of ROs instead of investing heavily in a few JROs. However, BPCL in disregard of this decision spent Rs. 1.15 crore on an average on each OSTs. The Committee do not appreciate this investment on JRO and OSTs and have already recommended in another Report that wherever expenditure has exceeded Rs. 1 crore on one JRO, it should be probed by the respective Chief Vigilance Officer of the company and in case of OSTs it should be probed by Chief Vigilance Commissioner.

8. The Committee have taken note of the guidelines regarding grant of authorization rights to market transportation fuels issued by the Ministry of Petroleum and Natural Gas dated 8th March, 2002. Resolution of the Government of India dated 21st November, 1997 stipulates that companies owning and operating refineries with an investment of at least Rs. 2000 crore on oil exploration and production companies producing at least 3 million tonnes of crude oil annually were entitled for marketing rights of

transportation fuel. The Ministry has now revised this condition and omitted the provision regarding production capacity of 3 million tonnes of crude oil annually. The Committee feel that the earlier stipulation was more objective and imperative and should be restored.

NEW DELHI
August 19, 2003
Sravana 28, 1925 (Saka)

MULAYAM SINGH YADAV
Chairman
Standing Committee on
Petroleum & Chemicals

ANNEXURE-I

| MARKETING PLANWISE NUMBER OF LPG DISTRIBUTORSHIPS PLANNED / PENDING FOR SELECTION AS ON 9.5.2002-INDUSTRY | | | | | | | | | | | | | |
|---|-------------------|-------------|--------------------------------------|------------|--------------------------------------|-------------|--------------------------------------|-------------|--------------------------------------|------------|--------------------------------------|-------------|--------------------------------------|
| SR.NO | MARKETING PLAN ID | IOC(MD) | | IOC(AOD) | | BPCL | | HPCL | | IBP | | INDUSTRY | |
| | | PLANNED | PENDING FOR SELECTION AS ON 9.5.2002 | PLANNED | PENDING FOR SELECTION AS ON 9.5.2002 | PLANNED | PENDING FOR SELECTION AS ON 9.5.2002 | PLANNED | PENDING FOR SELECTION AS ON 9.5.2002 | PLANNED | PENDING FOR SELECTION AS ON 9.5.2002 | PLANNED | PENDING FOR SELECTION AS ON 9.5.2002 |
| 1 | 1980-81 | 116 | 0 | 21 | 0 | 58 | 1 | 72 | 0 | 0 | 0 | 267 | 1 |
| 2 | 1981-82 | 153 | 0 | 6 | 0 | 86 | 5 | 131 | 1 | 0 | 0 | 376 | 6 |
| 3 | 1982-84-I | 296 | 0 | 12 | 0 | 135 | 7 | 156 | 0 | 0 | 0 | 599 | 7 |
| 4 | 1982-84-II | 199 | 0 | 17 | 0 | 107 | 1 | 104 | 3 | 0 | 0 | 427 | 4 |
| 5 | 1984-85 | 173 | 0 | 12 | 0 | 109 | 5 | 151 | 2 | 0 | 0 | 445 | 7 |
| 6 | 1985-86 | 248 | 4 | 8 | 0 | 113 | 1 | 109 | 2 | 0 | 0 | 478 | 7 |
| 7 | 1986-87 | 42 | 2 | 0 | 0 | 23 | 1 | 32 | 1 | 0 | 0 | 97 | 4 |
| 8 | 1987-88 | 58 | 1 | 5 | 0 | 44 | 1 | 52 | 2 | 0 | 0 | 159 | 4 |
| 9 | 1992-93 | 116 | 8 | 13 | 0 | 39 | 2 | 68 | 10 | 0 | 0 | 236 | 20 |
| 10 | 1993-94 | 244 | 12 | 11 | 0 | 80 | 25 | 46 | 7 | 0 | 0 | 381 | 44 |
| 11 | 1994-96 | 556 | 132 | 22 | 1 | 354 | 105 | 260 | 85 | 0 | 0 | 1192 | 323 |
| 12 | 1996-98 | 770 | 230 | 47 | 7 | 408 | 124 | 409 | 161 | 68 | 11 | 1702 | 533 |
| 13 | 1996-98(S) | 153 | 61 | 27 | 3 | 90 | 33 | 90 | 43 | 16 | 4 | 376 | 144 |
| 14 | 1999-2000 | 324 | 314 | 16 | 16 | 169 | 165 | 169 | 164 | 28 | 27 | 706 | 686 |
| | TOTAL | 3448 | 764 | 217 | 27 | 1816 | 476 | 1849 | 481 | 112 | 42 | 7441 | 1790 |

ANNEXURE-II

| SR. MARKETING NO. PLAN | PLANNED | | PENDING FOR SELECTION AS ON 9.5.02 | | PLANNED | | PENDING FOR SELECTION AS ON 9.5.02 | | PLANNED | | PENDING FOR SELECTION AS ON 9.5.02 | | PLANNED | | PENDING FOR SELECTION AS ON 9.5.02 | | INDUSTRY | |
|------------------------|---------|-----|------------------------------------|-----------|---------|----------|------------------------------------|----|---------|----|------------------------------------|------|---------|-----|------------------------------------|--|----------|--|
| | BPC | HPC | IOC (MD) | IOC (ADD) | IBP | INDUSTRY | | | | | | | | | | | | |
| 1 Pre-Roster | | | | | | | | | | | | | | | | | | |
| 2 2/3 WH | 32 | 3 | 30 | 1 | 12 | 0 | 0 | 1 | 0 | 23 | 1 | 98 | 1 | 1 | 0 | | | |
| 3 80-81 | 48 | 0 | 101 | 0 | 225 | 2 | 11 | 0 | 15 | 15 | 0 | 400 | 2 | 2 | | | | |
| 4 81-82 | 159 | 4 | 145 | 0 | 208 | 6 | 11 | 0 | 96 | 96 | 0 | 617 | 10 | 10 | | | | |
| 5 82-84(I) | 140 | 2 | 150 | 0 | 216 | 0 | 21 | 1 | 47 | 36 | 0 | 574 | 3 | 3 | | | | |
| 6 82-84 (II) | 121 | 1 | 125 | 2 | 161 | 2 | 1 | 0 | 36 | 25 | 1 | 444 | 6 | 6 | | | | |
| 7 84-85 | 100 | 0 | 120 | 0 | 187 | 5 | 13 | 0 | 50 | 25 | 1 | 470 | 6 | 7 | | | | |
| 8 85-86 | 81 | 1 | 63 | 4 | 95 | 0 | 18 | 1 | 25 | 25 | 1 | 262 | 7 | 7 | | | | |
| 9 86-87 | 129 | 4 | 135 | 3 | 214 | 5 | 15 | 0 | 58 | 38 | 4 | 551 | 16 | 16 | | | | |
| 10 87-88 | 89 | 8 | 92 | 6 | 128 | 13 | 11 | 0 | 38 | 38 | 1 | 358 | 28 | 28 | | | | |
| 11 88-89 DC | 10 | 0 | 21 | 0 | 18 | 5 | 2 | 0 | 4 | 4 | 0 | 55 | 5 | 5 | | | | |
| 12 88-93(I) | 197 | 13 | 193 | 10 | 542 | 33 | 15 | 0 | 33 | 33 | 1 | 980 | 57 | 57 | | | | |
| 13 88-93 (II) | 96 | 15 | 101 | 24 | 293 | 57 | 16 | 6 | 19 | 19 | 3 | 525 | 105 | 105 | | | | |
| 14 89-90 DC | 5 | 0 | 6 | 1 | 5 | 2 | 0 | 0 | 10 | 10 | 0 | 26 | 3 | 3 | | | | |
| 15 90-91 DC | 9 | 0 | 12 | 1 | 3 | 1 | 0 | 0 | 6 | 6 | 0 | 30 | 2 | 2 | | | | |
| 16 91-93 DC | 19 | 5 | 9 | 1 | 20 | 11 | 0 | 0 | 4 | 4 | 1 | 52 | 18 | 18 | | | | |
| 17 93-96 | 193 | 52 | 199 | 39 | 592 | 138 | 17 | 3 | 38 | 38 | 9 | 1039 | 241 | 241 | | | | |
| 18 93-96 DC | 9 | 2 | 12 | 0 | 26 | 13 | 5 | 1 | 5 | 5 | 0 | 57 | 16 | 16 | | | | |
| 19 96-98 | 79 | 22 | 84 | 23 | 245 | 70 | 7 | 3 | 19 | 19 | 7 | 434 | 125 | 125 | | | | |
| 20 96-98 DC | 25 | 13 | 12 | 2 | 31 | 13 | 1 | 0 | 16 | 16 | 0 | 85 | 28 | 28 | | | | |
| 21 96-98 S | 54 | 24 | 57 | 24 | 169 | 61 | 5 | 1 | 7 | 7 | 6 | 292 | 116 | 116 | | | | |
| 22 96-98 (S-II) | 37 | 16 | 37 | 19 | 112 | 41 | 3 | 0 | 11 | 11 | 7 | 200 | 83 | 83 | | | | |
| 23 99-2000 | 102 | 64 | 104 | 81 | 312 | 183 | 9 | 0 | 20 | 20 | 15 | 547 | 343 | 343 | | | | |
| 24 99-2001 DC | 31 | 24 | 74 | 66 | 41 | 34 | 0 | 0 | 22 | 22 | 0 | 168 | 124 | 124 | | | | |
| 25 2001-02 DC | 10 | 10 | 6 | 6 | 27 | 27 | 0 | 0 | 6 | 6 | 0 | 49 | 43 | 43 | | | | |
| TOTAL | 1755 | 283 | 1889 | 313 | 3880 | 722 | 182 | 16 | 608 | 58 | 8314 | 1392 | 1392 | | | | | |

ANNEXURE-III

No. P-19011/8/2002-IOC
Government of India
Ministry of Petroleum & Natural Gas

Shastri Bhawan
New Delhi, the 27th November, 2002

To

The Director(Marketing),
Hindustan Petroleum Corporation Limited,
Mumbai.

Subject : Retail Outlet Marketing Plan.

Sir,

I am directed to refer to HPC's letter No. RET/AKJ/MKT dated 23.9.2002 seeking approval of this Ministry for the Marketing Plan and to say that with the dismantling of Administered Pricing Mechanism (APM) and commercial freedom provided to the oil companies for their marketing activities, no approval is required to be given by the Ministry in this regard.

Yours faithfully,

Sd/-

(D.K.Banerjee)

Under Secretary to the Govt. of India

Copy to : Guard File

Copy to :

- 1) The Director(Marketing), Indian Oil Corporation Limited, Mumbai
- 2) The Director (Marketing), Bharat Petroleum Corporation Limited, Mumbai.
- 3) The Director (Marketing), IBP Co. Limited, Mumbai.
- 4) The Executive Director, IOC(AOD), Guwahati.
- 5) Director (AKS), MOP & NG.

Sd/-

(D.K.Banerjee)

Under Secretary to the Govt. of India

ANNEXURE-IV

MINISTRY OF PETROLEUM AND NATURAL GAS

RESOLUTION

New Delhi, the 8th March, 2002

No. P-23015/1/2001-Mkt.— The Government of India vide its Resolution No. 224 dated 21st November, 1997 decided the phased dismantling of Administered Pricing Mechanism (APM). In the aforesaid Resolution, it was envisaged that investments in the refining sector will be encouraged by providing reasonable tariff protection and making marketing rights for transportation fuels viz. MS, HSD and ATF conditional on owning and operating refineries with an investment of at least Rs. 2000 crore or oil exploration and production companies producing at least three million tonnes of crude oil annually.

2. The Prime Minister, in March, 1999, had set up a Group of Ministers for working out a specific framework for developing "India Hydrocarbon Vision - 2025". The Group submitted its report on 23.3.2000. The report has inter-alia recommended that marketing rights for transportation fuels be made conditional to a company investing or proposing to invest Rs. 2000/- crore in exploration or production, refining, pipelines or terminals. The report has also recommended to set up mechanisms to enable new entrants to establish own distribution networks for marketing without encroaching on the retail networks of the existing marketing companies.

3. The Government of India have now decided to grant authorization to market transportation fuels, namely, MS, HSD and ATF to the new entrants including the private sector, after taking into account the recommendations of the Report "Indian Hydrocarbon Vision - 2025". The guidelines for granting of authorization to market transportation fuels are given below.

- i. As per the Resolution of the Government of India dated 21st November, 1997, companies owning and operating refineries with an investment of at least Rs.2,000 crore or oil exploration and production companies producing at least 3 million tonnes of crude oil annually, are entitled for marketing rights for transportation fuels.
- ii. Now, authorization to market transportation fuels, namely, motor spirit (MS), high speed diesel(HSD) and aviation turbine fuel (ATF) is also available to a company investing or proposing to invest Rs.2,000 crore, in

exploration and production (E&P), refining, pipelines or terminals. The valuation of the investments for the above purposes will be got done by the Government to its satisfaction.

III. In case of future investments, the time frame for making such investments in the eligible activities would be counted as ten years from the date of grant of authorization for marketing of transportation fuels for all projects taken up under this scheme. Within the overall time frame of ten years for making investment of Rs. 2,000 crore in the eligible activities, financial closure should be achieved within five years, and the project/projects completed in all respects within ten years. The aforesaid period of ten years includes the period earmarked for financial closure. To be eligible, the company will be required to make such investments as would result in the additionality to the existing assets and/or creation of new assets in the eligible activities.

IV. Investment in the following assets is considered eligible:

- (a) Setting up new grass root refineries and/or expansion of the existing refineries along with facilities like crude oil receipt and transportation facilities.
- (b) Exploration and production of hydrocarbons including coal bed methane, and associated facilities like crude oil/natural gas pipelines, crude oil and natural gas processing plants.
- (c) Terminals for crude oil/LNG.
- (d) Common carrier natural gas/petroleum products/LPG pipelines;

Provided in case of "common carrier pipelines", the investor would be subject to all rules and regulations relating to a regulatory mechanism that may be laid down in future.

- (e) Investment in the above activities for setting up additional assets for improvement in quality of product to meet environmentally related norms.

The activities other than those specified above would not be eligible.

V. The requirement of the specified amount of actual or proposed investment would be applicable to the total of the various investments/proposed investments by the company in the eligible activities and would not be restricted to any single activity.

VI (a) The company proposing to make the specified level of investment in the eligible activities or a company which has already made Rs. 2000 crore of investment in the eligible activities but is yet to complete the project/projects will be required to sign an agreement containing conditions and milestones, with the Government in the Ministry of Petroleum and Natural Gas (MoP&NG)/Regulatory Board.

- (b) The agreement would, inter-alia, have specific provisions for bank guarantee of Rs. 500 crore for the proposed investment. The guarantee,

where imposed, would be discharged on completion of the investment of Rs. 2,000 crore but the obligation of the applicant to complete the project would continue till final completion of the project.

- VII. The Government/Regulatory Board shall review the progress of project/projects periodically with the concerned parties to satisfy itself that the conditions and milestones given in the agreement are being fully complied and there is no slippage therein. If the investment up to Rs. 2000 crore is delayed beyond ten years, then the bank guarantee may be invoked and any other penalty as provided in the agreement imposed including the cancellation of authorization to market transportation fuels. In cases where after investment of Rs. 2000 crore the project remains incomplete beyond the period, specified by the applicant in his scheme, the market authorisation can be withdrawn.
- VIII. The investments made or proposed to be made in the eligible activities would be in the form of equity, equity like instruments e.g. convertible debentures (fully or partially), or debt with recourse to the company.
- IX. Every eligible company would get only one authorization i.e. the company that has invested or proposes to invest in the eligible activities either in its name or in the name of the company in which investment has been made or is proposed to be made.
- X. The authorization to market transportation fuels may be exercised either by the eligible company itself or through its subsidiary or through its Joint Venture (JV) company with other eligible company/companies or through its JV company with a Public Sector Undertaking already marketing transportation fuels.
- XI. The authorization to market transportation fuels will not be transferable without permission of the Government.
- XII. The company seeking authorization to market transportation fuels will be required to make an application in the specified form, accompanied by such fees as may be specified, giving details of the scheme of marketing for which authorization is sought. There shall be no limit to the quantum and size of the scheme and the number and location of retail outlets (ROs) in the scheme provided that no encroachments on the existing retail outlets will be allowed. However, the marketing scheme shall, by way of information, contain details of :-
 - (a) the source of supply of products to be marketed;
 - (b) tankage and other infrastructure established/proposed to be established along with their capacity;
 - (c) means of transportation of products to depots and to ROs;
 - (d) the number and locations of ROs proposed to be established and details of their storage and dispensing capacity;
 - (e) the total quantum and type of products to be covered under the marketing scheme.

The scheme will specifically outline the mode of compliance volunteered by the eligible company relating to retail service obligations and marketing service obligations as may be laid down by the Government/Regulatory Board.

XIII After scrutinizing the scheme, the Government or the Regulatory Board as the case may be, may give authorization to the eligible company imposing conditions in public interest which may include:-

- (a) servicing remote areas and low service areas as may be declared by the Central Government from time to time, by setting up ROs in such areas at least in proportion to the existing percentage of ROs in the remote areas and low service areas respectively at the beginning of the year of applying for authorization.

The Government/Regulatory Board shall have the power to cancel the marketing authorization if the eligible company fails to set up retail outlets in the remote and low service areas as directed by the Government/Regulatory Board while issuing authorization.

Provided that the eligible company may choose to discharge this obligation by entering into suitable commercial agreement(s) with the existing marketing companies as mentioned in para 3(X).

Explanation:

(i) 'Marketing service obligations' mean obligations laid down by the Government/Regulatory Board and include obligations to set up marketing infrastructure including retail outlets in remote areas and low service areas as may be declared by the Central Government from time to time, not to close down retail outlets in monopoly markets, remote areas and low service areas without prior permission of the Government/Board, to maintain minimum inventory levels of petroleum products as specified by the Central Government, to provide service to any person on demand within a reasonable period of time and on a non-discriminatory basis, and to follow codes and standards laid down by the Board and/or any other prescribed authority.

(ii) 'Retail service obligations' for retail outlets mean obligations laid down by the Government/Regulatory Board and include the obligations for maintaining supplies of MS and HSD to retail consumers through out the specified working hours and of specified quality and quantity and ensuring that minimum facilities as laid down by the Government/Board are available to the retail consumers at retail outlets.

(iii) 'Remote areas' in this scheme mean the notified districts in the States of Himachal Pradesh, J&K, North Eastern States, Sikkim, Ultranchal, Union Territories of Andaman & Nicobar Islands, Lakshadweep Islands and any other area notified as such by the Central Government.

(iv) 'Low service area' in this scheme means an area not covered by National Highway/State Highway and not having any retail outlet within 10 KMs or as may be notified by the Central Government from time to time.

(b) the eligible company shall not operate with this authorization through a dealer with whom another marketing company has entered into an agreement for marketing of transportation fuel(s) or from the existing retail outlet of another company.

(c) the Government/Regulatory Board shall not normally suggest major alterations in the proposed scheme except relating to the servicing of remote areas and low service areas. The Government/Regulatory Board shall endeavour to issue authorization within three months of the receipt of the application.

XIV The marketing authorization once issued will not be withdrawn unless the conditions relating to the authorization are violated. In any case, this shall not be done without a notice to the applicant and without full enquiry into the violations.

XV The applicant shall inform the Government/Regulatory Board of major change(s) in his scheme of marketing, if any. The marketing authorization does not discharge the applicant from the obligation of obtaining other clearances as required under law, rules or regulations of a competent authority;

XVI Till the Regulatory Board is formed, the Government will approve the scheme for marketing transportation fuels and issue all authorizations in this regard.

XVII. Authorization to market transportation fuels would be granted by the Government up to 1.4.2002 or till the dismantling of APM and the setting up of a functioning Regulatory Mechanism. During APM, the authorization will be given to those who have made in full the specified investment in the eligible activities. Companies who propose to invest the specified amount, would be eligible for grant of authorization to market transportation fuels only after the APM is dismantled. The new entities who are granted authorization to market transportation fuels during the APM will be entitled to compensation from the oil pool account for such of their marketing infrastructure which is specifically approved to be eligible to be compensated from the oil pool account at the time of grant of authorization. Out of the infrastructure mentioned above, the compensation from the oil pool account would be given only for the terminals/depots that are actually used and to the extent they are used for storage/distribution of petrol and diesel as per the OCC plans. For this purpose, an agreement regarding compensation from the oil pool account and allied matters will be entered into by the company with the Government.

XVIII. In case of any doubt or dispute as regards any of the provisions of these guidelines, decision of the Government will be final and binding.

4. The decisions herein contained will come into force at once and will remain in force until further orders.

S. VIJAYARAGHAVAN, Jt. Secy.

ANNEXURE-V

No. P-19011/8/2001-IOC
Government of India
Ministry of Petroleum & Natural Gas

Shastri Bhawan
New Delhi, the 22nd January, 2003

To

The Director(Marketing),
Hindustan Petroleum Corporation Limited,
Mumbai.

**Subject : Dropping of unviable SKO-LDO dealership location "Agali, Distt.
Anantapur, Andhra Pradesh from 1996-98 Marketing Plan.**

Sir,

I am directed to refer to HPC's letter No. RET/VAN/MKT dated the November 11, 2002 on the above subject and to convey the approval of the Government to the proposal of HPCL for dropping of the location 'Agali', Distt. Anantapur (Andhra Pradesh), included in the 1996-98 Marketing Plan in favour of HPC. It has further been decided that decision to review the locations of earlier marketing plans on grounds of commercial viability may be taken by the Oil Marketing Companies themselves.

Yours faithfully,

Sd/-
(D.K.Banerjee)
Under Secretary to the Govt. of India

Copy to :

- 1) The Director(Marketing), IOCL, Mumbai
- 2) The Director (Marketing), BPCL, Mumbai.
- 3) The Director (Marketing), IBP Co. Ltd, Mumbai.
- 4) The Executive Director, IOC(AOD), Guwahati.
- 5) Guard File.

ANNEXURE-VI

MINUTES

SUB-COMMITTEE ON PETROLEUM

A Sub-Committee of the Standing Committee on Petroleum and Chemicals (2003)

THIRD SITTING (29.04.2003)

The Sub-Committee sat from 1500 hrs. to 1530 hrs.

PRESENT

Shri Prabhunath Singh - in the Chair.

MEMBERS

LOK SABHA

2. Shri Ashok Argal
3. Smt. Sheela Gautam
4. Shri Paban Singh Ghatowar
5. Shri Bijoy Handique
6. Shri Shyama Charan Shukla
7. Shri Ram Sajivan
8. Shri Ratilal Kalidas Varma

RAJYA SABHA

9. Shri Rajiv Ranjan Singh 'Lalan'

SECRETARIAT

- | | | | |
|----|------------------|---|-------------------------|
| 1. | Shri P.K. Grover | - | Director |
| 2. | Shri R.K. Saxena | - | Under Secretary |
| 3. | Shri J.N. Oberoi | - | Officer on Special Duty |
| 4. | Shri A.K. Shah | - | Asstt. Director |

REPRESENTATIVES OF PUBLIC SECTOR UNDERTAKINGS

I. Indian Oil Corporation Limited (IOCL)

1. Shri P.K. Agarwal - Director (Marketing)
2. Shri T.L. Jain - Executive Director (Retail Sales)
3. Shri S.K. Swaminathan - Executive Director (Retail Development)

II. HINDUSTAN PETROLEUM CORPORATION LTD. (HPCL)

1. Shri N.K. Puri - Director (Marketing)
2. Shri S.P. Chaudhary - Executive Director
3. Shri C. Ramlu - Executive Director (JV)

II. BHARAT PETROLEUM CORPORATION LTD. (BPCL)

1. Shri S. Radhakrishnan - Director (Marketing)

III. IBP Company Limited

1. Shri R.S. Guha - Director (Marketing)

In the absence of Convenor, Sub-Committee on Petroleum, the Sub-Committee chose Shri Prabhunath Singh to act as Convenor for the sitting under Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. Thereafter, the Convenor welcomed the Members of the Sub-Committee as also the representatives of Oil Marketing Companies to the Sitting of this Committee and outlined the purpose of the Sitting.

3. Initiating the discussion, Honble Convenor observed that representatives of Oil Companies were well aware that in Parliamentary system of Government, Executive is responsible to Parliament. As per rules, whenever a Parliamentary Committee summons the officials of the Ministry and/ or PSUs, their 'Heads' appear before the Committee for evidence although there is provision to grant them leave of absence. In the present case, however, he further observed that all Heads of Oil Companies had sought leave of absence for one reason or the other. Though they had been granted leave of absence but this tendency amounted to ignoring the basics of Parliamentary system of Government and was not desirable. In view of the fact that none of the Heads of Oil Companies was present in the day's meeting, he decided to adjourn the same.

The Committee then adjourned.

ANNEXURE-VII

MINUTES

SUB-COMMITTEE ON PETROLEUM

**A SUB-COMMITTEE OF THE STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(2003)**

FIFTH SITTING

(19.05.2003)

The Sub-Committee sat from 1500 hrs. to 1700 hrs.

Present

Shri Prabhunath Singh - In the Chair

Members

Lok Sabha

2. Shri Ashok Argal
3. Smt. Sheela Gautam
4. Dr.(Smt.) Suguna Kumari Chellamella
5. Shri Shankersinh Vaghela
6. Shri Ratilal Kalidas Varma

Rajya Sabha

7. Shri Anil Kumar
8. Shri Ahmed Patel

Secretariat

1. Shri P.D.T. Achary - Additional Secretary
2. Shri P.K. Grover - Director
3. Shri R.K. Saxena - Under Secretary
4. Shri J.N. Oberoi - Officer on Special Duty
5. Shri A.K. Shah - Assistant Director

Representatives of Ministry of Petroleum & Natural Gas

1. Shri B.K. Chaturvedi - Secretary
2. Shri S. Vijayaraghavan - Joint Secretary

Representatives of Public Sector Oil Companies

Indian Oil Corporation Limited (IOCL)

1. Shri M.S. Ramachandran, Chairman
2. Shri P. Sugavanam, Director (Finance)

Hindustan Petroleum Corporation Limited (HPCL)

1. Shri M.B. Lal, Chairman & Managing Director
2. Shri N.K. Puri, Director (Marketing)
3. Shri S.P. Chaudhry, Executive Director (Retail)

Bharat Petroleum Corporation Limited (BPCL)

1. Shri S. Behuria, Chairman & Managing Director

IBP Company Limited

1. Shri R.S. Guha, Director (Marketing)

In the absence of Hon'ble Convenor of the Sub-Committee on Petroleum, Members chose Shri Prabhunath Singh to act as Convenor in terms of Rule 258 (3) of Rules of Procedure and Conduct of Business in Lok Sabha.

2. At the outset, Hon'ble Convenor welcomed the Members to the sitting and on behalf of the Sub-Committee and on his own behalf welcomed the officials of Ministry of Petroleum and Natural Gas and representatives of Oil Industry. Initiating the discussion on the day's agenda, he observed that after dismantling of Administered Pricing Mechanism (APM) w.e.f. 1st April, 2002, Government were supposed to give autonomy to oil companies to select their retailers and distributors on commercial considerations. Although more than one year has since lapsed, yet the Government have not finalized guidelines for the oil companies for selecting their retailers and distributors with the result that their expansion of marketing network had been stalled whereas private companies were aggressively engaged in setting up their marketing network. Responding to the observation of the Chair, Secretary, Ministry of Petroleum and Natural Gas admitted that delay had occurred in finalizing the guidelines but the Government were alive to this problem and take the decision soon. The other issues which came up for discussion included providing level playing field for Public Sector Oil Companies, uniform application of reservation policy for Public and Private Oil Companies, setting up of marketing network in hilly and inaccessible areas, parallel marketing of petroleum products etc.

3. The verbatim record of the proceedings has been kept

The Sub-Committee then adjourned.

ANNEXURE-VIII

MINUTES

SUB-COMMITTEE ON PETROLEUM

A SUB-COMMITTEE OF THE

STANDING COMMITTEE ON PETROLEUM & CHEMICALS (2003)

TENTH SITTING

(18.08.2003)

The Sub-Committee sat from 1500 hrs. to 1530 hrs.

Present

Shri Ram Sajivan - **In the Chair**

Members

Lok Sabha

2. Shri Paban Singh Ghatowar
3. Shri Bijoy Handique
4. Dr. (Smt.) Suguna Kumari Chellamela
5. Shri Prabhunath Singh

Rajya Sabha

6. Shri Anil Kumar
7. Prof. Ram Gopal Yadav

Secretariat

1. Shri J.N. Oberoi - Officer on Special Duty
2. Dr. Ram Raj Rai - Assistant Director

In the absence of Hon'ble Convenor of the Sub-Committee on Petroleum, Members chose Shri Ram Sajivan to act as Convenor in terms of Rule 258 (3) of Rules of Procedure and Conduct of Business in Lok Sabha.

2. At the outset, Hon'ble Convenor welcomed the Members to the sitting of the Sub-Committee and stated that Sub-Committee were meeting to consider and adopt the following two Draft Reports:-

- (i) Parallel Marketing in Petroleum Products
- (ii) Marketing Plans of Public Sector Oil Companies and their implementation

3. Thereafter, Hon'ble Convenor presented the reports for consideration and adoption by the Sub-Committee. A Member referred to the media reports indicating that the Government have issued guidelines for allotment of Retail Outlets and LPG Distributorships. He wanted the observations/ recommendations of the report on marketing guidelines to be modified accordingly. The Sub-Committee agreed to this suggestion and the relevant portions of the Report were amended accordingly. The Sub-Committee, thereafter, adopted the Report.

4. The Sub-Committee authorised the Convenor to finalise the Draft Reports and submit the same to Hon'ble Chairman for consideration and adoption by the Standing Committee on Petroleum & Chemicals.

The Sub-Committee then adjourned.

ANNEXURE-IX

MINUTES

**STANDING COMMITTEE ON PETROLEUM & CHEMICALS
(2003)**

SEVENTH SITTING
(19.08.2003)

The Committee sat from 1000 hrs. to 1030 hrs.

Present

Shri Mulayam Singh Yadav - Chairman

Members

Lok Sabha

2. Dr. (Smt.) Suguna Kumari Chellamella
3. Shri Khagen Das
4. Shri Harpal Singh Sathi
5. Shri Paban Singh Ghatowar
6. Shri Bijoy Handique
7. Shri Shriprakash Jaiswal
8. Shri Punnulal Mohale
9. Shri P. Mohan
10. Shri Ashok N. Mohol
11. Dr. Debendra Pradhan
12. Shri Ram Sajivan
13. Dr. (Smt.) V. Saroja
14. Dr. Ramesh Chand Tomar
15. Shri Prabhunath Singh
16. Dr. Ram Lakhan singh
17. Shri A.K.S. Vijayan

Rajya Sabha

18. Shri Balkavi Bairagi
19. Shri Ram Nath Kovind
20. Shri Anil Kumar
21. Shri Kripal Parmar
22. Shri V.V. Raghavan
23. Ms. Mabel Rebello
24. Shri Thanga Tamilselvan

Secretariat

1. Shri P.K. Grover - Director
2. Shri J.N. Oberoi - Officer on Special Duty
3. Dr. Ram Raj Rai - Assistant Director

2. At the outset, Hon'ble Chairman welcomed the Members to the sitting and explained the purpose of the day's meeting.

3. Thereafter, he invited the Members to give their suggestions, if any, on the following draft Reports being considered for adoption:-

(i) **

(ii) Forty-Sixth Report on 'Marketing Plans of Public Sector Oil Companies and their implementation';

(iii) ** ** ** ** ** ** ** ** ** ** ** ** ** ** ** ** ** ** **

(iv) ** ** **~ ** ** ** ** ** ** ** ** ** ** **

(v) ** ** **~ ** ** **~ ** ** **~ ** **

(vi) ** ** **~ ** ** **~ ** ** **~ ** **

(vii) ** ** **~ ** ** **~ ** ** **~ ** **

4. After some consideration, the Committee adopted the Reports subject to minor modifications.

5. The Committee, thereafter, authorised the Chairman to finalise the Reports after factual verification from the concerned Ministries/Departments and present them to the Parliament.

6. The Committee placed on record their appreciation of the work done by all the Sub-Committees of the Standing Committee on Petroleum & Chemicals.

7. The Committee also placed on record their appreciation for the valuable assistance rendered to them by the officials of the Lok Sabha Secretariat attached to the Committee.

8. ** ** **~ ** ** **~ ** ** **~ ** **

The Committee then adjourned